



Interim Financial Report
for the nine months ended
30 September 2015
(Un-audited)

Contents

Company Information	2
Directors' Review	3
Condensed Interim Balance Sheet	5
Condensed Interim Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Cash flow Statement	8
Condensed Interim Statement of Changes in Equity	9
Condensed Interim Notes to the Financial Information	10

Company Information

BOARD OF DIRECTORS

Mr. Wajahat Ahmed Baqai
Chairman
Mr. Asim Imtiaz Basra
Mr. Ahsan Raza Durrani
Mr. Rehmat Ali Hasnie
Mr. Kamran Ali Kazim
Mr. Asim Murtaza Khan
Mr. Mohammad Khalid Mir
Chief Executive Officer
Mr. Masroor Ahmed Qureshi

COMPANY SECRETARY & CFO
Syed Taneem Haider

AUDIT COMMITTEE

Mr. Ahsan Raza Durrani
Chairman
Mr. Kamran Ali Kazim
Mr. Masroor Ahmed Qureshi

HR & REMUNERATION COMMITTEE

Mr. Rehmat Ali Hasnie
Chairman
Mr. Kamran Ali Kazim
Mr. Mohammad Khalid Mir

LEGAL ADVISOR

Mr. Barrister Babar S Imran

SHARES REGISTRAR

Hameed Majeed Associates
(Private) Limited

COMPANY WEBSITE

www.pafil.com.pk

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

BANKERS

JS Bank Limited
Faysal Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Albaraka Bank Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Summit Bank Limited
Silk Bank Limited
KASB Bank Limited
Allied Bank Limited
Bank Alfalah Limited
The Bank of Punjab
Bank Islami Pakistan Limited
Askari Bank Limited
Pak Libya Holding Company (Pvt.) Limited
Soneri Bank Limited
Citi Bank N.A.
HSBC Bank Middle East Limited
United Bank Limited
Habib Bank Limited

REGISTERED OFFICE

2nd Floor Asia Centre, 8-Babar Block,
New Garden Town, Lahore
Ph: +92 (0) 42 35860341-44
Fax: +92 (0) 42 35860339-40

PROJECT LOCATIONS

Unit I
Urea Plant
Iskanderabad, District Mianwali.
Ph: +92 (0) 459 392346-49

Unit II
GSSP Plant
Hattar Road, Haripur.
Ph: +92 (0) 995 616124-5

Directors' Review

The directors of Agritech Limited, henceforth called the Company, along with the management team are pleased to present the Company's Interim Report accompanied by the Financial Statements for the Nine months ended September 30, 2015.

These financial statements have been endorsed by the Chief Executive Officer and one of the directors in accordance with the Code of Corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Business Review

Principal Activities

The main business of the Company is the manufacturing and marketing of fertilizers. The Company owns and operates the country's one of the newest and most efficient urea manufacturing plant at Mianwali as well as a facility for the manufacture of SSP (Single Super Phosphate) at Haripur Hazara, which is the single largest SSP manufacturing plant in the country.

Having achieved the Company's strategic goal to become a diversified fertilizer manufacturer producing both nitrogenous and phosphatic fertilizers, the Company's products are sold under one of the most celebrated and trusted brand name "Tara" in the fertilizer market.

Operating Financial Results

Financial Results of Agritech Limited

	September 30, 2015	September 30, 2014
Sales Net	1,667,211,734	1,655,465,868
Operating Loss	1,435,904,538	1,632,680,052
Finance Cost	1,792,856,507	2,137,385,610
Loss before Tax	3,192,829,990	3,728,547,912
Loss after Tax	2,122,870,440	3,490,063,350
Loss per share	5.71	9.23

Urea Business:

Company produced 50,934 tons of Urea (2014: 42,323 tons) during the first nine months, which is 20% higher compared to last year. This improved urea production was the result of better gas supply situation. Company sold 29,906 tons of Urea (2014: 31,384 tons) that is 5% lower than last year. Lower urea sales vs last year are mainly on account of heavy rainfall in the country and specifically in the northern region during September 2015 quarter, resulting in decline of urea offtake.

Urea's industry production during 1st nine months of 2015 increased by 7% (3,864KT vs 3,595KT) due to the improved gas supply to the sector. In 2015, RLNG imports started in the country which helped to create cushion in overall gas distribution network thus enabling improved gas supplies to fertilizer plants primarily on SNGPL network. Urea Industry offtakes saw a decline of 1.6% during the first nine months of 2015 and reached to 4,033KT vs 4,097KT. This is mainly attributable to heavy rainfall in the country during September 2015 quarter. Furthermore, from September 1, 2015 gas prices were increased resulting in corresponding increase of Urea prices. However government committed to take back the increase in Gas price which created anticipation of decline in Urea prices thus the buying by the channels was stalled, and the trend in still continued in October 2015.

Phosphate Business:

During 2015 the farmers' economics of all major crops particularly Rice, Cotton, Maize and Potato saw further decline vs last year due to lower prices of these commodities and higher input costs particularly the fertilizers. Resultantly consumption of phosphates witnessed decline of approximately 25% during first nine months of 2015 vs corresponding period last year.

Directors' Review

Company produced 39,647 tons (2014: 58,455) of SSP. This production was 32% lower as compared to last year. Company sold 28,395 tons in first nine months of 2015 vs 31,319 tons; a decline of 9% vs last year. With lower farm economics situation and in order to optimize the funds tied up in the SSP production to utilize these funds to get better urea production vs last year resulted in lower than last year SSP production. DAP production increased by 12% in 2015 (560 KT vs 500 KT) due to better gas supply to the only DAP plant on SSGC. DAP offtakes decreased to 590 KT in first nine months of 2015 vs 780 KT last year. A subsidy of PKR 20 billion was announced by the government in 2016 budget, after which the Ministry of Food and Security involved all stakeholders for discussion, which continued during September 2015, creating anticipation of decline in the prices of Phosphatic fertilizers thus stalling sales in September 2015 quarter. Later on Prime Minister announced a Farmer Package that also included the Rs. 20 billion subsidy on Phosphates fertilizers. The magnitude of the subsidy is Rs. 500/bag on DAP and equivalent P2O5 content of other phosphatic fertilizers. A mechanism between GOP and Industry was reached for passing on this subsidy on DAP, NP and NPK, however, SSP as a category was not included in it.

Capital Restructuring:

The gas curtailment in the last 4 years has been the only cause of its debt servicing delays and because of this the mark up accumulated has created an increased debt burden. Whereas operating cash flows are healthy if gas remains available, a capital restructuring has been planned with the cooperation of lenders to enable Company to devise a capital structure, which will be sustainable for both Company and lenders, given the likely gas availability to the plant as allocated by the Government of Pakistan

The Company's board approved the rehabilitation plan on November 5, 2013 and was also subsequently approved by Shareholders in an EOGM held on December 10, 2013. The Company have received 100% requisite consents of its lenders and currently scheme application is with SECP for the formal approval of the Rehabilitation Plan. We are hopeful to complete the Approval and rehabilitation process by end of 2015. By implementing this scheme, the Company will achieve a suitable and sustainable capital structure and further improve its financial performance.

Future Outlook

Land Project:

The Company is in the advanced stages to start the development of plots and construction business. All the required approvals have been obtained from Board of Directors. Currently Company is in the process of obtaining NOCs from lenders to initiate development. It is expected that the Company will be able to offer the Phase-1 of the plots for sale within one month from obtaining NOCs. The proceeds from the sale of these plots will be used to settle the long term liabilities of the Company.

RLNG Project:

With RLNG imports into the country overall gas supply situation has improved. The company expects improved gas availability as compared to 2014.

Management is taking all the necessary steps to mitigate the gas curtailment issue and reach a long term gas supply solution with government. In this regard negotiations with pertinent authorities in Federal Government are in advance stages for supply of RLNG and we are hopeful to reach an agreement by the end of 2015.

Acknowledgement

The Board takes this opportunity to thank the Company's valued customers and the financial institutions whose faith and support over the years has cultivated a mutually beneficial relationship, playing a key role in the growth of the businesses.

The Board also wishes to place on record its appreciation for the employees of the Company. All this has been possible with their hard work and commitment.

On behalf of the Board



Lahore
Date : 30 October 2015

Chief Executive Officer

Condensed Interim Balance Sheet (Un-audited)

As at 30 September 2015

	Note	30 September 2015 Rupees	31 December 2014 Rupees
EQUITY AND LIABILITIES			
Authorized share Capital		15,000,000,000	15,000,000,000
Share capital and reserves			
Issued, subscribed and paid up capital	4	5,517,642,690	5,517,642,690
Reserves		9,000,000	9,000,000
Accumulated Losses		(6,231,406,999)	(4,504,448,372)
		(704,764,309)	1,022,194,318
Surplus on revaluation of fixed assets		8,367,779,143	8,889,592,164
Non-current liabilities			
Redeemable capital - Secured	5	6,723,189,639	7,974,045,542
Long term finances - Secured	6	2,520,547,216	3,669,640,929
Long term payables - Unsecured		31,135,199	31,135,199
Deferred Liabilities			
- Staff retirement benefits		12,063,403	15,169,860
- Deferred taxation - net		2,824,266,030	3,911,114,234
		12,111,201,487	15,601,105,764
Current liabilities			
Current maturity of non-current liabilities		10,053,224,617	7,652,195,166
Short term borrowings -secured		3,793,289,823	3,677,177,328
Trade and other payables		4,325,643,493	3,129,544,453
Interest/mark-up accrued on borrowings		10,768,442,214	9,170,644,512
Preference dividend payable		635,106,950	504,016,311
		29,575,707,098	24,133,577,770
Contingencies and commitments	7	49,349,923,419	49,646,470,016
ASSETS			
Non-current assets			
Property, plant and equipment	8	42,111,996,788	42,967,113,632
Intangible asset		2,578,442,782	2,586,425,782
Long term advances		17,087,132	19,917,797
Long term deposits -unsecured, considered good		60,477,821	44,971,249
		44,768,004,523	45,618,428,460
Current assets			
Stores, spares and loose tools		2,099,179,872	2,068,630,517
Stock-in-trade		1,081,418,832	348,727,103
Trade debts		2,201,573	19,858,904
Advances, deposits, prepayments and other receivables		1,053,476,333	985,225,926
Advance tax -net of provision		235,990,465	176,844,685
Cash and bank balances		109,651,821	428,754,421
		4,581,918,896	4,028,041,556
		49,349,923,419	49,646,470,016

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.



Lahore

CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Profit and Loss Account (Un-audited)

For the nine months and quarter ended 30 September 2015

	Nine months period ended		Three months period ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Rupees	Rupees	Rupees	Rupees
Sales - net	1,667,211,734	1,655,465,868	874,627,263	987,033,440
Cost of sales	(2,502,429,046)	(2,620,343,857)	(1,206,326,537)	(1,203,862,554)
Gross loss	(835,217,312)	(964,877,989)	(331,699,274)	(216,829,114)
Selling and distribution expenses	(106,451,855)	(87,987,354)	(56,191,620)	(41,824,405)
Administrative and general expenses	(494,235,371)	(579,814,709)	(170,131,667)	(191,594,339)
Operating loss	(1,435,904,538)	(1,632,680,052)	(558,022,561)	(450,247,858)
Finance cost	(1,792,856,507)	(2,137,385,610)	(568,132,372)	(738,019,142)
Net other income	35,931,055	41,517,750	5,292,246	4,903,353
Loss before taxation	(3,192,829,990)	(3,728,547,912)	(1,120,862,687)	(1,183,363,647)
Taxation	1,069,959,550	238,484,562	285,608,537	71,965,196
loss after taxation	(2,122,870,440)	(3,490,063,350)	(835,254,150)	(1,111,398,451)
Loss per share - basic and diluted	(5.71)	(9.23)	(2.13)	(2.94)

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months and quarter ended 30 September 2015

	Nine months period ended		Three months period ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Rupees	Rupees	Rupees	Rupees
loss after taxation	(2,122,870,440)	(3,490,063,350)	(835,254,150)	(1,111,398,451)
Total comprehensive income	5,189,427	63,180,591	-	21,060,197
(loss) for the period	(2,117,681,013)	(3,426,882,759)	(835,254,150)	(1,090,338,254)

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Cash flow Statement (Un-audited)

For the nine months period ended 30 September 2015

	Note	30 September 2015 Rupees	30 September 2014 Rupees
<u>Cash flows from operating activities</u>			
Cash used in operations	11	(157,712,994)	(937,577,816)
Finance cost paid		(153,157,854)	(226,769,526)
Interest income received		5,649,880	31,599,539
Taxation		(77,444,641)	(65,001,629)
Staff retirement benefits paid		(389,878)	30,614,033
Net cash used in operating activities		(383,055,487)	(1,167,135,399)
<u>Cash flows from investing activities</u>			
Acquisition of property, Plant & equipment		(8,373,871)	(117,475,036)
Long Term advances received		2,830,665	814,183
Long term deposits (paid) / received		(15,506,572)	2,050,000
Proceeds from disposal of property, Plant & equipment		9,711,285	1,516,000
Net cash used in investing activities		(11,338,493)	(113,094,853)
<u>Cash flows from financing activities</u>			
Repayment of liabilities against assets subject to finance lease		(40,821,115)	(28,012,313)
Transaction costs incurred on restructuring process		-	(23,200,000)
Net increase / (decrease) in short term borrowings		38,041,067	(509,332,844)
Net cash used in financing activities		(2,780,048)	(560,545,157)
Net increase/(decrease) in cash and cash equivalents		(397,174,028)	(1,840,775,409)
Cash and cash equivalents at the beginning of period		(2,199,737,107)	(744,751,941)
Cash and cash equivalents at the end of period	13	(2,596,911,135)	(2,585,527,350)

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.



CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended 30 September 2015

	Share Capital		Reserves		Total equity Rupees
	Ordinary Shares Rupees	Preference Shares Rupees	Revenue reserve Rupees	Accumulated Losses Rupees	
Balance as at 31 December 2013 audited	3,924,300,000	1,593,342,690	9,000,000	(104,496,573)	5,422,146,117
Total comprehensive loss for the period ended 30 September-2014	-	-	-	(3,490,063,349)	(3,490,063,349)
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	63,180,592	63,180,592
Preference dividend for the period	-	-	-	(131,090,635)	(131,090,635)
Gratuity Adjustment	-	-	-	950,377	950,377
Balance as at 30 September 2014 - un-audited	3,924,300,000	1,593,342,690	9,000,000	(3,661,519,588)	1,865,123,102
Balance as at 31 December 2014 - audited	3,924,300,000	1,593,342,690	9,000,000	(4,504,448,372)	1,022,194,318
Total comprehensive loss for the period ended 30 September-2015	-	-	-	(2,117,681,013)	(2,117,681,013)
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	521,813,021	521,813,021
Preference dividend for the period	-	-	-	(131,090,635)	(131,090,635)
Balance as at 30 September 2015 - un-audited	3,924,300,000	1,593,342,690	9,000,000	(6,231,406,999)	(704,764,309)

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

Lahore



CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

1 Reporting Entity

Agritech Limited ("the Company") was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 12 April 2010 the Company was listed on Karachi Stock Exchange ("KSE") vide KSE Notification No. KSE/N-1940. On 31 October 2012, ANL has sold its major shareholding in the Company to a consortium of banks and financial institutions. The registered office of the Company is situated at 2nd Floor Asia Center, 8 – Babar Block, Main Boulevard, New Garden Town, Lahore. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. The Company has two production units with Unit I located at Iskanderabad, District Mianwali and Unit II at Hattar Road, Haripur.

2 Basis of preparation

2.1.1 Basis of accounting

This condensed interim financial information comprises the condensed interim balance sheet of Agritech Limited ("the Company"), as at 30 September 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.

2.1.2 This condensed interim financial information of the Company for the nine months period ended 30 September 2015 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the twelve months financial statements as at and for the period ended 31 December 2014.

2.1.4 This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

2.2 Judgments and estimates

In preparing this condensed interim financial information, management makes judgements, estimates and assumptions that affect application of accounting policies and reported amount of Assets and liabilities income and Expense, actual result may differ from these estimates. In preparing condensed interim financial information the significant judgment made by the management in applying accounting policies key estimate and uncertainty include.

- Residual value and useful life estimation of Fixed assets
- Taxation
- Retirement and other benefit
- Provision and contingencies

2.2.1 Measurement of fair Values

The company has an establish control frame work with respect to the measurement of fair value. The management regularly review significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different level in fair value hierarchy base on the inputs use in the valuation techniques as follows.

Level 1;- quoted prices (unadjusted) in active market for identical assets or liabilities

Level 2;- inputs other than quoted prices included in level 1 that are observable for the assets or liabilities either directly (i.e. as prices) are indirectly (i.e. is derived from prices)

Level 3;- inputs for the assets or liabilities that are not base on observable market data (unobservable inputs)

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

2.3 Financial liabilities and continuing operations

"The Company continues to face operational issues due to extended gas load shedding and gas curtailment by Govt. of Pakistan for shifting the gas toward power sectors to reduce electricity load shedding which has perpetuated temporary liquidity issues resulted in over dues as refer in the note 15 to the condensed interim financial information. Due to these factors company has incurred a loss before tax of Rs. 3,192.83 million and reported negative cash flows of Rs. 383.06 from operations during the nine months period ended 30 September 2015. As on that date, its current liabilities exceeded its current assets by Rs. 24,993.79 million, including , Rs. 17,633.98 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 704,76 million. The difference between current liabilities and current assets would be Rs. 24,993.79 million, had the Company classified its long term debts as current for reasons more fully explained in note 2.4 to the financial information. These conditions cast significant doubt about the Company's ability to continue as going concern. This condensed interim financial information has however been prepared on a going concern basis. The assumption that the company would continue as a going concern is based on the fact that the Economic Coordination Committee ("ECC") of the Cabinet in this meeting held on 18 December 2012 has approved a Dedicated Long Term Gas Supply Solution for Fertilizer Industry by virtue of which a consortium of Four Fertilizer Manufacturers ("FFM") including AGL, which are currently on Sui Northern Gas Pipeline Company Limited ("SNGPL") system, has been allowed to purchase gas directly from alternate dedicated gas supply sources. All important pertinent contracts has been signed with the Gas producers and Gas transporters. The execution of these contract currently being negotiated with the Government. As a consequence of additional gas supply from northern network along with the import of LNG the gas supply for the Company has and is likely to improve considerably for coming period until FFM arrangements commence. The Company is also planning to start development of plots and construction business. All the layouts and plans are final for implementation."

"Further, the Company has planned to convert its existing total long term debt including mark-up into preference shares. The Company has obtained necessary NOCs from the lenders and expecting to complete remaining procedure in next quarter. With the aforesaid conversion and other measures mentioned in the above paragraph, the management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably."

2.4 Financial liabilities

The Company could not make timely repayments of principal and interest / markup related to long term debts as referred to in note 14. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 9,394.23 million as detailed below have continued to be classified as long term as per the repayment schedules in these financial statements as the management considers that event of default was not declared by the lenders at the reporting date:

<u>Redeemable capital</u>	<u>Principal net of current maturity</u> Rupees
Term Finance Certificates (TFCs) - I	920,569,800
Term Finance Certificates (TFCs) - II	3,791,857,740
Term Finance Certificates (TFCs) - III	288,476,050
Privately Placed Term Finance Certificates - V	617,447,630
Sukuk	879,890,000
Term Finance Certificates (TFCs) - VI	339,916,664
	<u>6,838,157,884</u>

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

<u>Long term finances</u>	<u>Principal net of current maturity Rupees</u>
Syndicate Term Finance - I	1,842,857,143
Syndicate Term Finance - III	416,128,565
KASB Bank Limited - Term Finance	165,000,000
National Bank of Pakistan - Term Finance	132,083,735
	<u>2,556,069,443</u>
	<u>9,394,227,327</u>

3 Significant accounting policies

- 3.1 Except as describe below, the accounting policies and the methods of computation adopted in the preparation of this condense interim financial information are the same as those applied in the preparation of the twelve months financial statements for the period ended 31 December 2014.
- 3.2 There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

Following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 19 - Employee Benefits	01 January 2016
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 41 - Agriculture	01 January 2016
IAS 34 - Interim Financial Reporting	01 January 2016
IFRS 5 - Non-current Assets Held for sale and Discontinued Operation	01 January 2016
IFRS 7 - Financial Instruments-Disclosures	01 January 2016
Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles	01 July 2014

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

		30 September 2015	31 December 2014
	Note	Un-audited	Audited
		Rupees	Rupees
4 Issued, subscribed and paid up capital			
Class A ordinary shares of Rs. 10 each 383,430,000 (December 2014: 383,430,000) Shares issued fully paid in cash	4.1	3,834,300,000	3,834,300,000
9,000,000 (December 2014: 9,000,000) Shares issued for consideration other than cash		90,000,000	90,000,000
Preference shares of Rs. 10 each 159,334,269 (December 2014: 159,334,269) Shares issued fully paid in cash	4.2	1,593,342,690	1,593,342,690
		<u>5,517,642,690</u>	<u>5,517,642,690</u>

4.1 "As at 30 September 2015, National Bank of Pakistan, an associated undertaking holds 130,715,224 (December 2014: 130,715,224) ordinary shares of the Company."

4.2 This represents local currency, listed, non-voting, redeemable, convertible and cumulative preference share issued at the rate of Rs. 10 per share under the agreement between the Company and various investors entered on 13 February 2012 ("Completion date") effective from 01 August 2011.

The Company shall have the option to redeem the preference shares plus any accumulated unpaid dividends in full or in part, within ninety days after the expiry of each anniversary of the issue date by giving at least thirty days notice in compliance with the provisions of the Companies Ordinance, 1984. The Company will maintain a Capital Redemption Reserve as per the provisions of the Companies Ordinance, 1984 in this regard.

Each investor will also have the right to convert the preference shares into ordinary shares of the Company. The conversion price is the average price of the ordinary share quoted in the daily quotation of Karachi Stock Exchange during the 360 working days prior to the relevant conversion date; adjusted for any corporate action / announcement of the Company, including but not limited to rights issue, cash dividend to ordinary share shareholders, bonus shares, stock split etc., during the last 360 working days prior to the conversion date. This option will be available from the fifth anniversary onwards. During this period the investors can convert up to 100% of their preference shares at the conversion ratio as defined in letters of rights by giving a thirty days notice to the issuer prior to any conversion date. For the purpose of this right, a conversion date shall be the last business day of each financial quarter commencing from the fifth anniversary of the Issue Date.

The preference shareholders have a preferred right of dividend at the rate of 11% per annum on cumulative basis.

4.3 The preference shares (the shares) have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 29 August 2011.
- Return of allotment of shares was filed under section 73(1) of the Ordinance.

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.
- Requirements of the Ordinance takes precedence over the requirements of International Accounting Standards.
- The preference shareholders have the right to convert these shares into Ordinary shares.

Further, the matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan (ICAP) as a result of which the ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Accounting Standards. Pending the decision of the SECP in this matter, the Preference share capital has been classified as equity in these financial statements.

	30 September 2015	31 December 2014
	Un-audited	Audited
	Rupees	Rupees
5 Redeemable Capital - Secured		
Term Finance Certificates - I	1,498,602,000	1,498,602,000
Term Finance Certificates - II	6,894,286,800	6,894,286,800
Term Finance Certificates - III	495,460,750	495,460,750
Privately Placed Term Finance Certificates - IV	548,825,000	548,825,000
Privately Placed Term Finance Certificates - V	618,685,000	618,685,000
Privately Placed Term Finance Certificates - Vi	509,874,996	509,874,996
Sukkuks	1,599,800,000	1,599,800,000
	12,165,534,546	12,165,534,546
Deferred notional income	-	-
Transaction costs	(114,968,245)	(142,937,925)
	12,050,566,301	12,022,596,621
Current maturity presented under current liabilities	(5,327,376,662)	(4,048,551,078)
	6,723,189,639	7,974,045,543

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

	30 September 2015	31 December 2014
	Un-audited	Audited
	Rupees	Rupees
6 Long term finances		
Syndicate Term Finance - I	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	475,000,000	475,000,000
Syndicate Term Finance - III	3,009,833,663	3,009,833,663
KASB Bank Limited - Term Finance	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	132,083,735	132,083,735
Dubai Islamic Bank Limited - Term Finance	365,000,000	365,000,000
	7,281,917,398	7,281,917,398
Transaction Cost	(35,522,227)	(49,453,497)
	7,246,395,171	7,232,463,901
Current maturity presented under current liabilities	(4,725,847,955)	(3,562,822,972)
	2,520,547,216	3,669,640,929

7 Contingencies and commitments

7.1 Contingencies

Except for the contingency described below, there is no material change in contingencies from the preceding published financial statements of the Company for the financial year ended 31 December 2014.

The tax department issued show cause notice to the Company dated 15 December 2015 on the grounds that the Company has short paid sales tax on declared production and Suppression of Production of ammonia. The Company replied to the above show cause notice and Order adjudicating the same was received on 27 April 2015 in which the point related to short paid sales tax on declared production was decided against the Company thus creating demand Rs. 165.70 million and the Point related to Suppression of Production of ammonia was decided in favour of the Company. Being aggrieved Company filed appeal before CIR(A) against the first point which is pending fixation. The management is hopeful that the case will be decided in favour of the Company.

7.2 Commitments

7.2.1 The amount of future ijarah rentals and the period in which these payments will become due are as follow:

	30 September 2015	31 December 2014
	Un-audited	Audited
	Rupees	Rupees
Not Later than one year	24,832,565	33,789,240
Later than one year but not later than five year	64,474,315	68,012,925
	89,306,880	101,802,165

7.2.2 Commitments under irrevocable letters of credit for:

- purchase of stores, spares and loose tools	27,453,790	20,151,372
- purchase of plant and machinery	-	-
	27,453,790	20,151,372

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

	30 September 2015 Un-audited	31 December 2014 Audited
Note	Rupees	Rupees
8 Property, plant and equipment		
Operating fixed assets	42,075,754,947	42,895,817,533
Capital work in progress	36,241,841	71,296,099
	42,111,996,788	42,967,113,632
8.1 Operating fixed assets		
Net book value at end of the period	42,895,817,533	35,890,049,631
Add: Additions during the period	43,428,128	274,759,783
Surplus on revaluation of operating fixed assets	-	9,846,666,117
	43,428,128	10,121,425,900
Less: Disposals during the period - net book value	5,238,281	112,293,545
Depreciation for the period	858,252,433	3,003,364,453
	863,490,714	3,115,657,998
Net book value at end of the period	42,075,754,947	42,895,817,533
8.1.1 Additions - cost		
<u>Owned assets</u>		
Freehold land	-	-
Buildings on freehold land	335,847	488,041
Plant and machinery	34,394,718	192,234,385
Residential colony assets	-	-
Furniture, fixtures and office equipment	8,532,100	9,146,326
Vehicles and rail transport	-	6,444
Tools and other equipment	60,000	65,000
Electrical and other installations	105,463	2,506,335
Catalyst	-	70,313,252
<u>Leased assets</u>	-	-
Plant and machinery	-	-
Vehicles	-	-
	43,428,128	274,759,783

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

9 Stock-in-trade

Aggregate stocks with a cost of Rs,1,137.32 million (31 December 2014: 110.59 million) are being valued at net realizable value of Rs.504.93 million (31 December 2014:72.96 million).

10 Transactions and balances with related parties

Related parties from the Company's perspective comprise associated undertakings, key management personnel (comprising the chief executive and directors), post employment benefit plans and other related parties. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length with the expectations as approved by the Board of Directors.

Detail of transactions and balances with related parties are as follows:

	January to 30 September 2015 (Un-audited)	January to 30 September 2014 (Un-audited)
	Rupees	Rupees
10.1 Transactions with related parties		
10.1.1 Associate		
National Bank of Pakistan		
Markup expense	238,560,393	268,919,397
Preference dividend	2,845,656	50,803,155
Advisory Fee	270,000,000	270,000,000
Bank Balances - net	(1,738,345)	(61,567,526)
10.1.2 Other related parties		
Faysal Bank Limited		
Mark up Expense	151,121,564	170,526,417
Preference dividend	25,534,216	25,534,216
Bank Balances - net	964	(23,171,277)
Short term borrowings - net	-	(63,186,325)
Standard Chartered Bank (Pakistan) Limited		
Mark-up expense	122,825,225	138,104,008
Silk Bank limited		
Mark-up expense	47,866,832	60,937,492
Markup paid	(13,605,700)	(14,920,137)
Short term borrowings - net	20,958,018	(4,759,838)

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

	January to 30 September 2015 (Un-audited)	January to 30 September 2014 (Un-audited)
	Rupees	Rupees
Summit Bank Limited		
Mark-up expense	78,303,305	98,702,317
Markup paid	(60,077,944)	(19,033,083)
Short term borrowings - net	(45,188,394)	140,011,613
10.1.3 Post employment benefit plans		
Contribution to employees provident fund	11,383,738	15,337,023
Contribution to employees gratuity fund	2,472,848	8,491,661
10.1.4 Key management personnel		
Short term employee benefits	20,889,342	18,716,400
Post employment benefits	856,800	1,324,611
	(Un-audited)	(Audited)
	30 September	31 December
	2015	2014
	Un-audited	Audited
	Rupees	Rupees
10.2 Balances with related parties		
10.2.1 Associate		
National Bank of Pakistan		
Long term loans	2,467,083,735	2,467,083,735
Redeemable capital	462,057,100	462,057,100
Bills payable	187,030,000	187,030,000
Preference shares	34,587,560	34,587,560
Mark-up payable	1,806,678,601	1,568,118,208
Preference dividend payable	166,194,208	163,348,552
Bank accounts	3,400,039	205,274,372
Advisory and other fee	673,000,000	359,600,000
Advance for transaction Cost	23,200,000	23,200,000

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

	30 September 2015	31 December 2014
	<u>Un-audited</u>	<u>Audited</u>
	Rupees	Rupees
10.2.2 Other related parties		
Faysal Bank		
Redeemable capital	1,499,109,500	1,499,109,500
Long term loan	350,000,000	350,000,000
Short term borrowings	-	-
Preference shares	310,355,940	310,355,940
Mark up payable	980,336,098	829,214,534
Preference dividend payable	123,742,740	98,208,523
Bank accounts	114,787	1,332,851
Standard Chartered Bank (Pakistan) Limited		
Redeemable capital	146,995,500	146,995,500
Long term finances	1,499,904,160	1,499,904,160
Mark-up payable	821,962,178	699,136,953
Silk Bank		
Long term loans	130,607,546	130,607,546
Short term borrowings	551,061,528	501,103,546
Bills payable	42,207,529	24,796,733
Mark up payable	198,233,291	163,972,159
Summit Bank Limited		
Redeemable capital	603,406,000	603,406,000
Short term borrowings	768,864,514	670,863,965
Bills payable	14,882,654	-
Mark up payable	268,902,423	250,677,062
10.2.3 Post employment benefit plans		
(Receivable) / payable to Provident Fund Trust	-	-
Payable to gratuity Trust	12,063,403	15,169,860

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

	30 September 2015	31 December 2014
	<u>Un-audited</u>	<u>Audited</u>
	Rupees	Rupees
11 Cash flow from operating activities		
Profit & (Loss) before tax	(3,192,829,990)	(3,728,547,912)
Adjustment for non-cash and other items:		
Interest / markup expense	1,750,955,557	2,086,920,801
Amortization of transaction costs	41,900,950	50,464,809
Depreciation	858,252,433	690,174,893
Amortization of computer software	7,983,000	7,089,228
Staff retirement benefit	2,472,848	8,194,570
Mark-up / Interest Income	(5,649,880)	(31,599,539)
Gain on sale of property, plant and equipment	(4,473,003)	(879,690)
Operating profit before changes in working capital	(541,388,085)	(918,182,840)
Changes in working capital		
(Increase) / decrease in current assets:		
Increase in stores, spares and loose tools	(30,549,355)	(19,879,026)
Decrease in stock in trade	(732,691,729)	(594,806,064)
Decrease in trade receivables	17,657,331	(59,613,949)
Increase in advances, deposits, prepayments and other receivables	(68,250,408)	(235,934,995)
	(813,834,161)	(910,234,034)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	1,197,509,252	890,839,058
Cash generated from operations	(157,712,994)	(937,577,816)

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

12

Segment reporting

12.1 Reportable segments

The Company's reportable segments are as follows:

- Urea fertilizer segment - production of Urea fertilizer and ammonia from natural gas and
- Phosphate fertilizer segment - production of Phosphate fertilizer from rock Phosphate

Information regarding the Company's reportable segments is presented below:

12.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizers segment		Phosphate fertilizers segment		Total	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees
For the nine months period ended 30 September 2015	1,231,960,638	1,139,753,315	435,251,096	515,712,553	1,667,211,734	1,655,465,868
External revenues	(3,159,430,761)	(3,729,185,811)	(33,399,229)	637,900	(3,192,829,990)	(3,728,547,911)
Inter-segment revenue						
reportable segment (Loss)/						
Profit before tax						
	Urea fertilizers segment		Phosphate fertilizers segment		Total	
	31 December 2015	31 December 2014	30 September 2015	31 December 2014	30 September 2015	31 December 2014
	Un-audited Rupees	Audited Rupees	Un-audited Rupees	Audited Rupees	Un-audited Rupees	Audited Rupees
As at	45,142,799,353	45,557,707,569	4,699,399,763	4,797,635,478	49,842,199,116	50,355,343,046
Reportable segment assets	41,061,072,961	39,264,444,064	1,118,111,321	1,162,274,031	42,179,184,282	40,426,718,095
Reportable segment liabilities						
	Urea fertilizers segment		Phosphate fertilizers segment		Total	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees	Un-audited Rupees
As at	(Un-audited) 30 September 2015	(Un-audited) 30 September 2014	(Un-audited) 30 September 2015	(Un-audited) 30 September 2014	(Un-audited) 30 September 2015	(Un-audited) 30 September 2014
Reconciling of reportable segment profit and loss						
For the nine months ended	(3,192,829,990)	(3,728,547,912)	(3,192,829,990)	(3,728,547,912)	(3,192,829,990)	(3,728,547,912)
Total loss for reportable segments before tax	1,069,959,550	238,484,562	1,069,959,550	238,484,562	1,069,959,550	238,484,562
Unallocated corporate expenses	(2,122,870,440)	(3,490,063,350)	(2,122,870,440)	(3,490,063,350)	(2,122,870,440)	(3,490,063,350)
Loss after tax						

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months and quarter ended 30 September 2015

	30 September 2015	31 December 2014
	Un-audited	Audited
	Rupees	Rupees
13 Cash and cash equivalents		
Short term borrowings - secured	(2,706,562,956)	(2,618,329,460)
Cash and bank balances	109,651,821	32,802,116
	<u>(2,596,911,135)</u>	<u>(2,585,527,344)</u>

14 Overdue financial liabilities

The Company in previous year as well as in current period faced operational issues and extended gas load shedding from SNGPL. As a result, the Company is facing liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	Principal	Interest / mark up	Total
	Rupees	Rupees	Rupees
Nature of Liability			
Redeemable capital	3,893,800,898	5,651,098,635	9,544,899,533
Long term finances	3,232,055,117	3,889,566,044	7,121,621,161
Short term borrowings	366,041,280	359,754,204	725,795,484
Bills payable	187,031,000	54,634,333	241,665,333
	<u>7,678,928,295</u>	<u>9,955,053,216</u>	<u>17,633,981,511</u>

15 Fair Value of Financial Assets and Liabilities

The carrying amount of redeemable capital and long term finance equal their fair values and are determined using the valuation model that considers the present value of expected further cash flows discounted using a market rate of interest. As the input is unobservable market data it is classified under level 3.

In case of other financial assets and financial liabilities that are expected to be settled within one year carrying amount are a reasonable approximation of the fair values.

16 Financial Risk Management

The Company's financial risk management objective and policies are consistent with the disclosed in the financial statement for the financial year ended on 31 December 2014.

17 Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on 30 October 2015.

18 General

18.1 Figures have been rounded off to the nearest thousand of Rupees.



CHIEF EXECUTIVE



DIRECTOR



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